



Fiscal Year 2003/2004 Budget Workshop

Tuesday, May 20, 2003

City Council Chambers

Introduction

Budget Overview

◆ **FY 2003/2004 Recommended Budget**

- **Total Budget - \$207 million**
- **Operating - \$167 million**
- **Projects - \$20.2 million,
\$84.2 million over 10 years**

Introduction

Financial stability threatened by:

- ◆ The economic downturn
- ◆ Higher than anticipated personnel costs
- ◆ State revenue reductions

Introduction

- ◆ **\$14.9 Million gap between General Fund revenues and expenses**
- ◆ **Gap could grow larger**
- ◆ **Remedies must be long-term and ongoing**

Introduction

- ◆ **Re-examine and re-set services**
- ◆ **Increase fees and charges**
- ◆ **Reduce the workforce**

Today's Presentation

- ◆ **Public comments**
- ◆ **The Sunnyvale approach to budgeting**
- ◆ **An overview of the project and operating budgets**
- ◆ **The budget reduction process**

Today's Presentation

- ◆ **Future Fiscal Issues**
- ◆ **City Council
Questions/Comments**
- ◆ **Break**
- ◆ **6-Point Action Plan**
- ◆ **Detailed Fund Reviews**

Today's Presentation

- ◆ Conclusion
- ◆ Break
- ◆ City Council
Questions/Comments
- ◆ Public Comments
- ◆ City Manager Comments

Public Comments

The Sunnyvale Approach

The Sunnyvale Approach

- ◆ Citizens have come to expect high quality services provided in an efficient manner

The Sunnyvale Approach

- ◆ **Council leadership, shared vision and commitment at all levels of the organization enable us to carry out our mission**

The Sunnyvale Approach

- ◆ **Key elements of Sunnyvale's Planning and Management System:**
 - Long-range strategic planning
 - Short-term allocation of resources
 - Long-term financial planning
 - Performance reporting and evaluation
 - Council study issues process

The Sunnyvale Approach

- Long-range strategic planning
 - The General Plan provides a desired vision of our community
 - Sunnyvale's budget implements the seven elements of the General Plan

The Sunnyvale Approach

- **Short-term allocation of resources:
the two-year budget**
 - **Identifies immediate revenues and expenditures**
 - **Council decides on the outcomes staff is to provide to the community**
 - **Resources are allocated to meet these outcomes**

The Sunnyvale Approach

- **Short-term allocation of resources:
the two-year budget**
 - **Council focuses on policy and outcomes**
 - **Staff focuses on achievement**

The Sunnyvale Approach

- Short-term allocation of resources:
the two-year budget
 - Outcome Management
 - Why?
 - What?
 - How?
 - How well?

The Sunnyvale Approach

- **Short-term allocation of resources:
the two-year budget**
 - **Advantages of two-year budgeting**
 - Maximizes staff time
 - In-depth review of budget elements
 - Focus on actual service delivery,
continuous improvement and Council
study items

The Sunnyvale Approach

- **Short-term allocation of resources:
the two-year budget**
 - **Process included a service level review this year**
 - **Recommended Budget includes Council's guidance on reductions**

The Sunnyvale Approach

- Long-term financial planning
 - Ten-Year Resource Allocation Plan, with 20-year financial plan
 - Framework for developing long-range financial strategies

The Sunnyvale Approach

- Long-term financial planning
 - Decision makers better understand the long-term effects of their decisions
 - Gives us time to deal with financial hardships

The Sunnyvale Approach

- **Benefits of Sunnyvale's approach to City Council**
 - **Allows focus on policy issues and outcomes**
 - **Allows the achievement of tangible results that correspond to the community's priorities**

The Sunnyvale Approach

- **Benefits of Sunnyvale's approach to Citizens and Customers**
 - **Know exactly what outcomes are provided**
 - **Can see a return for their tax dollars and fees/rates**
 - **Results in high customer satisfaction**

The Sunnyvale Approach

- **Benefits of Sunnyvale's approach to City Staff**
 - **Given the flexibility to use resources effectively**
 - **Able to focus on achieving results**
 - **Empowered to seek innovative solutions to meet service outcomes**
 - **Gives us time to implement reductions and service changes**

The Sunnyvale Approach

- ◆ Long range planning and financial forecasting mechanisms allow us to deal with tomorrow's problems today

Budget Process

Project Budget Process

- ◆ “On year” for Project Budget
 - Capital
 - Special
 - Infrastructure
 - Outside Group Funding
- ◆ Change in focus required

Projects and the 6-Point Plan

- ◆ **Priority projects:**
 - **Preserve infrastructure**
 - **Address life safety**
 - **Leverage outside funding**
 - **Under construction or near completion**

Project Budget Process

- ◆ Projects evaluated by Finance, the Project Review Committee, and City Manager
- ◆ Council adopted 6 criteria and provided direction in March
- ◆ Generated \$1.8 million toward closing the General Fund gap

Operating Budget Process

- ◆ **Second year of two-year operating budget**
- ◆ **Departments prepared reductions packages**
- ◆ **Reduction priorities incorporated into recommended budget**

Budget Reduction Process

Six-Point Action Plan:

- ◆ Capital projects
- ◆ Rental rate schedules
- ◆ Job recruitment and vacancies
- ◆ In-Lieu fees/interfund transfers
- ◆ Tax and fee increases
- ◆ Reductions to services and staff

Budget Reduction Process

Result of 6-Point Plan:

- ◆ Revised services provided by smaller, more sustainable workforce

Budget Reduction Process

Citizen and business involvement:

- ◆ Community meetings
- ◆ Citizen survey
- ◆ Residents willing to pay more to maintain services

Results of Reduction Process

Generated \$14.9 million:

- ◆ \$1.8 million - Capital projects
- ◆ \$1.9 million - Rental rates
- ◆ \$8.5 million - Operations
- ◆ \$1.3 million - Set asides
- ◆ \$1.4 million - Additional revenue

Future Fiscal Issues

Future Fiscal Issues

- ◆ Ongoing structural gap in General Fund
- ◆ Economic conditions and outlook
- ◆ Downturn in revenues
- ◆ Sharply increasing personnel expenses

Economic Conditions

- ◆ National economy sharply decelerated mid-2000
- ◆ Silicon Valley began downturn in early 2001
 - Dramatic slowing of business expense on computer equipment
 - Resulted in dot-com bust

Economic Conditions

- ◆ **Nearly 200,000 jobs lost in Silicon Valley**
 - Unemployment 8.3% v. 6% national
 - Worst since Great Depression
- ◆ **Situation to persist, slow regional recovery**

Effect on Sunnyvale Revenues

- ◆ **Decline in General Fund revenues**
 - Sharp drop in Sales Tax and Transient Occupancy Tax (TOT)
 - Sales Tax dropped by 30% in FY 2001/2002
 - TOT declined by 40% in FY 2001/2002

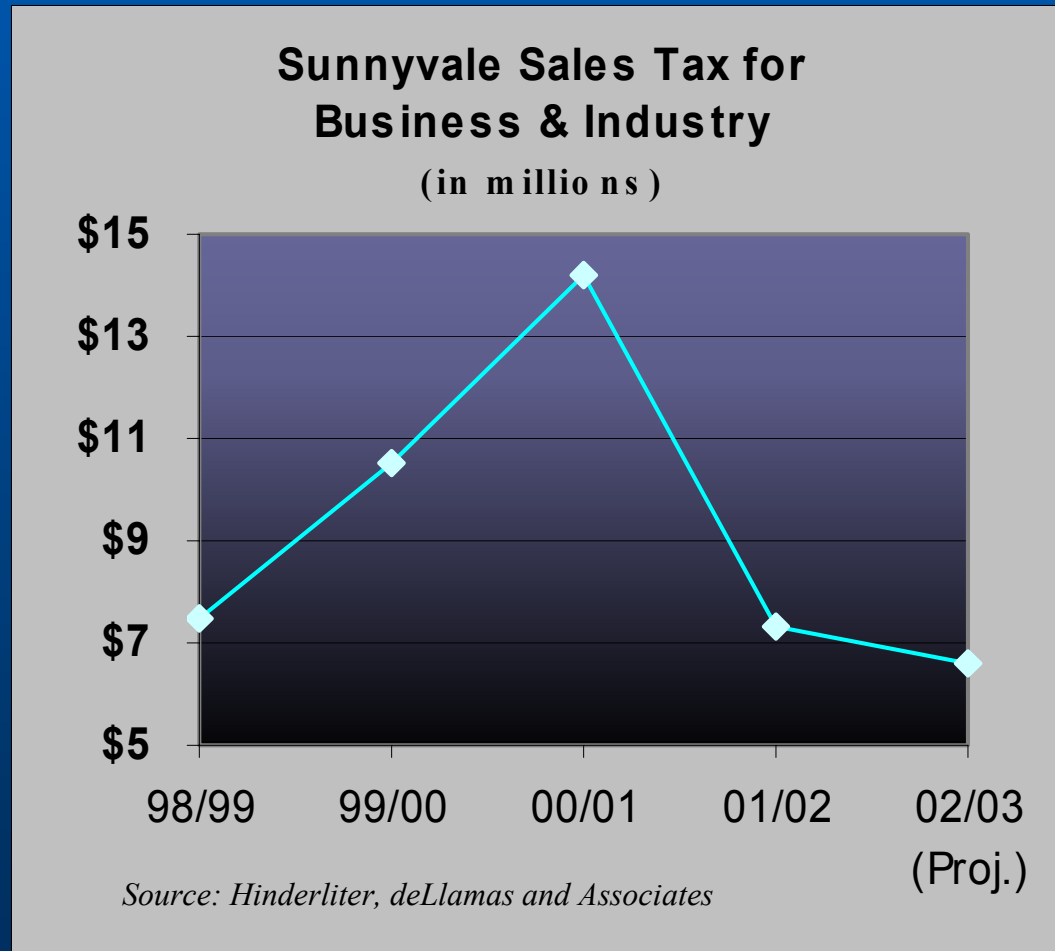
Effect on Sunnyvale Revenues

- ◆ **Trending lower than initial projections due to slow pace of recovery**
 - Sales Tax minus 11%
 - TOT minus 16%
- ◆ **Overall General Fund revenues expected to decline by additional \$3.8 million in FY 2002/2003**

Projected Pace of Recovery

- ◆ **Silicon Valley boom may never be repeated**
 - **Example: Business & Industry Sales Tax**
 - **Spiked 90% from 1999 to 2001**
 - **Now lowest level since 1991**

Projected Pace of Recovery



Projected Pace of Recovery

- ◆ **Economic recovery modest and slow**
- ◆ **Recovery here will lag State and rest of country**
 - **More lost jobs, productivity & sales**

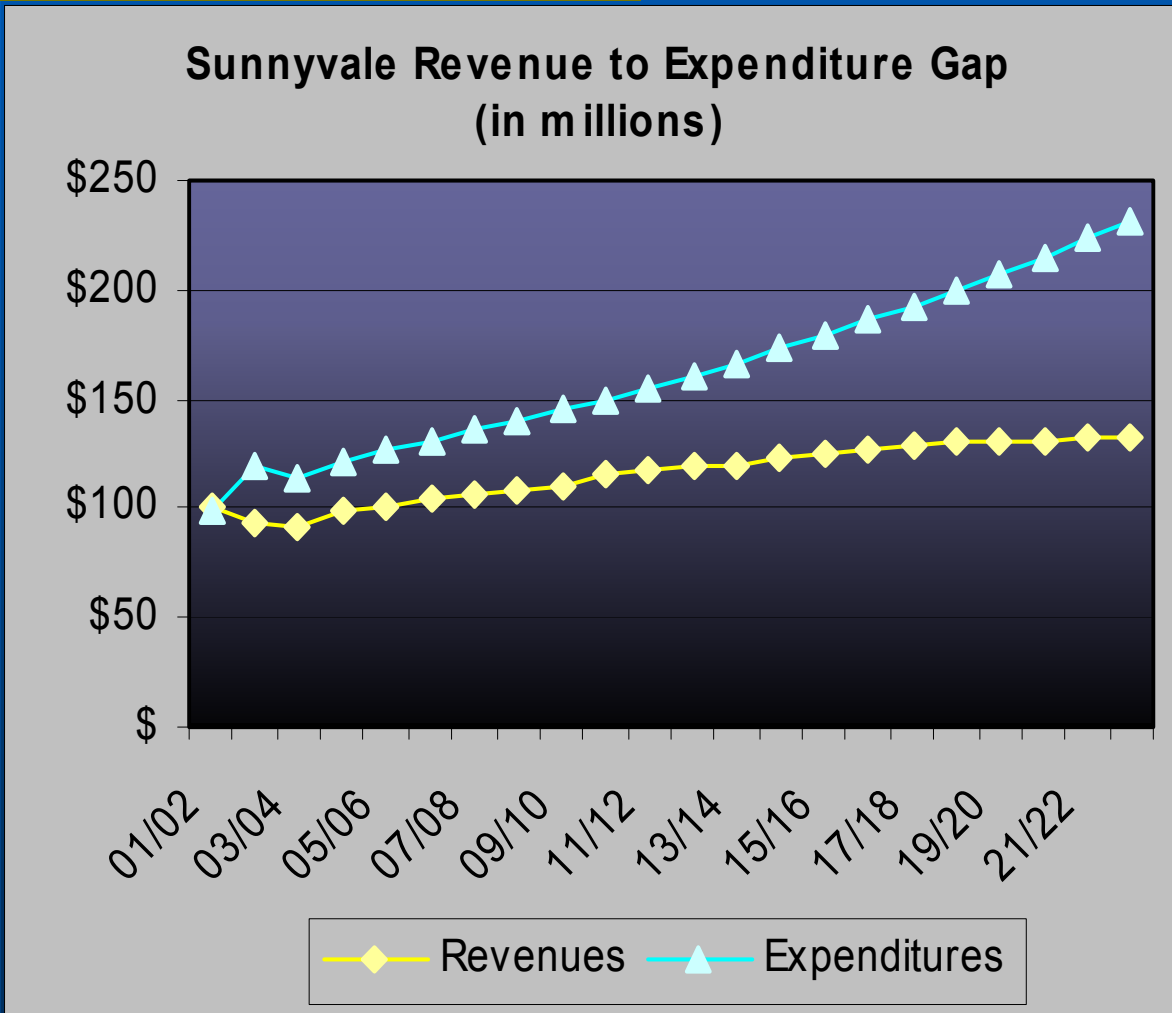
Ongoing Structural Budget Gap

- ◆ **Result of two converging factors:**
 - Continuing downturn substantially decreased revenue base
 - Personnel expenses continue to increase
- ◆ **Estimated at \$14.9 million annually**

Ongoing Structural Budget Gap

- ◆ Gap was estimated at \$11 million to \$17 million in January 2003
- ◆ Additional factors adjusted the estimated gap to \$14.9 million
 - Salary adjustments higher than estimated
 - Revenues lower than forecast

Ongoing Structural Budget Gap



Ongoing Structural Budget Gap

- ◆ 6-Point Action Plan developed to close the gap
- ◆ Gap may continue to grow
 - Rising employee costs outstripping revenue growth

State Budget Crisis

- ◆ **State budget deficit now \$38.2 billion by end of FY 2003/2004**
- ◆ **State revenues sharply declined due to decreases in personal income tax revenues**
- ◆ **State spending doubled in 8 years**
- ◆ **State has structural imbalance**

State Budget Situation

- ◆ **May Revise issued May 14**
- ◆ **Losses to City in several areas**

State Budget Crisis

- ◆ **Booking fee reimbursement:**
\$180,000 annually
- ◆ **\$350,000+ loss in RDA tax increment in FY 2003/2004**
 - Grows annually for 15 years
- ◆ **Public Library Foundation Grant**
all but eliminated

State Budget Crisis

- ◆ State mandated reimbursements deferred, suspended: \$100,000+ annual loss
- ◆ Transportation cuts
- ◆ Law enforcement funding maintained

State Budget Crisis

- ◆ General Fund loss \$400,000
- ◆ RDA loss \$350,000+ and growing
- ◆ Vehicle License Fee issue still unresolved
 - “Backfill” not included in FY 2003/2004 budget
 - Expect “trigger” to be pulled between now and June 2003

State Budget Crisis

- ◆ **Vehicle License Fee issue still unresolved**
 - **Waiting period minimum 60 days**
 - **Further administrative delays likely**
 - **\$420,000 lost per month of delay**
 - **Republican lawmakers have vowed legal challenges**

State Budget Crisis

- ◆ **State budget proposals not included in Recommended Budget**
- ◆ **Additional service level reductions may be necessary dependent upon State actions**

State Budget Crisis

◆ Added concerns:

- 30% of deficit reduction strategy relies on short-term borrowing
- Assumes tax increases
- Assumes moderate growth in capital gains & stock options that may not materialize
- Carries considerable deficit into following fiscal year

Questions/Comments

6-Point Action Plan

6-Point Action Plan

- ◆ **6-Point Action Plan presented to Council**
- ◆ **Preliminary policy guidance provided**
- ◆ **Incorporation into the Recommended Budget**

10-Year Projects Plan

- ◆ **Recommended FY 2003/2004 Projects Budget presented February 26, 2003**
- ◆ **\$1.9 million annualized savings recommended over the 20-year Financial Plan**

10-Year Projects Plan

- ◆ **Council accepted recommendation with changes to these projects:**
 - **Outside Group Funding and Dispute Resolution Services**
 - **Sunnyvale Historical Museum**
 - **Mary Avenue I-280 Footbridge and Bernardo Ave. Caltrain Undercrossing**

10-Year Projects Plan

- ◆ Council directed staff to provide further information on the Golf Cart Storage Building project.
- ◆ Revised annualized savings based on preliminary Council direction: \$1.8 million

Rental Rates and In-Lieu Fees

- ◆ Proposed changes to rental rates and in-lieu fees presented to Council on March 25, 2003
- ◆ Recommended changes to schedules would result in estimated savings of \$500,000

Rental Rates and In-Lieu Fees

- ◆ Recommended reductions to operations would generate \$ 1,427,019
- ◆ Staff recommendations accepted by Council

Reductions to Services and Levels of Service

- ◆ Recommended reductions to City services and levels of service presented on May 2, 2003
- ◆ Proposed Department reductions and new revenues estimated to generate \$ 8,455,059

Reductions to Services and Levels of Service

- ◆ Council accepted staff recommendations with the following exceptions:
 - 1 Dispatcher position (\$88,000)
 - 1 Recreation Supervisor (\$92,000)
 - Water features at Community Center (\$35,000)

Reductions to Services and Levels of Service

- ◆ Council accepted staff recommendations without the following reductions (cont.):
 - July 4th Event (\$7,000)
 - 1 Hazardous Materials Inspector (\$124,000)
- ◆ Council direction reduced savings by \$346,000

Reductions to Services and Levels of Service

- ◆ **Additional reductions included in Recommended Budget:**
 - 1 Hazardous Materials Inspector based on further analysis
 - 1 Parks Leader, 1 Parks Worker I (\$135,000) in the Parks Programs
 - 3 Casual Positions and additional shift of hours to Utilities Funds in Public Works (\$ 84,600)

Reductions to Services and Levels of Service

- ◆ **Additional reductions included in Recommended Budget:**
 - **Purchased Goods & Services:**
 - **Organizational Effectiveness (\$38,820)**
 - **Personnel Services (\$5,000)**
 - **Executive Management (\$5,000)**

Reductions to Services and Levels of Service

- ◆ **Additional reductions included in Recommended Budget:**
 - **City Council Travel Budget reduced by 25% (\$10,000)**
- ◆ **Proposed reduction of U.S. Conference of Mayors membership dues**

Reductions to Services and Levels of Service

- ◆ **Implementation Plan - Phase over 3 Years**
- ◆ **Larger savings recognized in FY 2003/2004 due to increased gap**
- ◆ **Fluid environment - size of gap may change**

Reductions to Services and Levels of Service

- ◆ **Use of Reserves and Set-Asides**
 - **Public Facilities Space Issues**
 - **Fiscal Uncertainties**
 - **Paramedic Set-Aside**

Reductions to Services and Levels of Service

- ◆ **City staff responses to Council questions from May 2, 2003, Budget Reduction meeting**
- ◆ **Provided to Council on May 16, 2003**

Fee, Charge and Tax Increases

- ◆ Potential fee, charge, and tax increases presented to Council on May 6, 2003
- ◆ New Taxes/Revenues proposed: \$ 1,426,000
- ◆ Ad hoc advisory committee on local tax issues

Fee, Charge and Tax Increases

- ◆ Fees included in the recommended FY 2003/2004 Fee Schedule:
 - Business License Processing Fee
 - \$157,690 on an annual basis
 - Community Planning Fee - General Plan Maintenance
 - \$75,000 on an annual basis

Fee, Charge and Tax Increases

- ◆ Fees included in the recommended FY 2003/2004 Fee Schedule:
 - DVD/Video Rentals at Library
 - \$300,000 new revenue/year
 - False Fire Alarm Fee
 - \$100,000 new revenue/year

Fee, Charge and Tax Increases

- ◆ **Five Fees require further research:**
 - **Emergency 911 Fee**
 - **Homeowner Sidewalk Repair Fee**
 - **Trench Cut Fee**
 - **Rent for SMaRT Station**
 - **Municipal Utility Infrastructure Fee**

Review of Funds

General Fund

General Fund Overview

- ◆ **Total expenditures of \$96.7 Million**
 - Down 5.1%
- ◆ **Operating expenses of \$92.2 Million**
 - Up 0.04%
- ◆ **Project costs of \$2.9 million**
 - Down 63.1%

General Fund Expenditures

- ◆ Operating expenditures make up 95% of General Fund
- ◆ Operating expenditures increase by a nominal 0.04%
 - Departmental reductions of \$7.8 million
 - Internal Service Charge reductions of \$1.1 million

General Fund Expenditures

- ◆ **Salaries and benefits costs continue to increase**
 - **Salary and benefit assumptions**
 - **Market based compensation**
 - **No concessions assumed**

General Fund Expenditures

Labor Unit	FY 2003/04	FY 2004/05	FY 2005/06- FY 2012/13	FY 2013/14- FY 2022/23
SEA/Confidential	6.56%	3.00%	3.00%	4.00%
PSOA-Officers	6.19%	5.00%	3.00%/4.00%	4.00%
PSOA- Lieutenants	5.94%	5.00%	3.00%/4.00%	4.00%
COA	6.25%	3.00%	3.00%	4.00%
SEIU	13.67%	12.00%	3.00%	4.00%
Management	3.00%	3.00%	3.00%	4.00%

General Fund Expenditures

- ◆ **Rapid escalation in total personnel benefits**
 - **16% increase in FY 2003/2004**
 - **21.9% increase in FY 2004/2005**

General Fund Expenditures

- ◆ **Increased costs associated with retirement contributions**
 - **42% increase in FY 2003/2004**
 - **62% increase in FY 2004/2005**

General Fund Expenditures

- ◆ **Additional funding for increases in election costs**
 - \$200,000 in FY 2003/2004 and FY 2005/2006 from Fiscal Uncertainties
- ◆ **Election consolidation**
 - Study Issue
 - Charter Amendment
 - Potential savings of \$181,000

General Fund Projects

- “On year” for Project Budget,
however only a small number of
new projects have been proposed**
- ◆ Completion of major capital projects**
 - ◆ Criteria test for any new projects**

General Fund Projects

New Projects Recommended:

- ◆ **Sunnyvale Historical Museum**
 - City's Contribution of \$500,000 funded through Prop. 40
 - Alternative funding recommendations

General Fund Revenues

- ◆ Annual review and revision
- ◆ Forecast methodology based on unique characteristics of each revenue
- ◆ Twenty-year projections utilize average historic trends over a defined economic cycle

General Fund Revenues

- ◆ Also revised estimates for FY 2002/2003 to reflect current economic conditions
- ◆ \$3.7 million reduction overall
- ◆ Sales Tax down 35.7% from FY 2000/2001
- ◆ Transient Occupancy Tax down 51% from FY 2000/2001

General Fund Major Revenues

- ◆ Sales Tax
- ◆ Property Tax
- ◆ Utility Users Tax/Franchise Fees
- ◆ Motor Vehicle License Fees
- ◆ Transient Occupancy Tax
- ◆ Construction-related Revenues

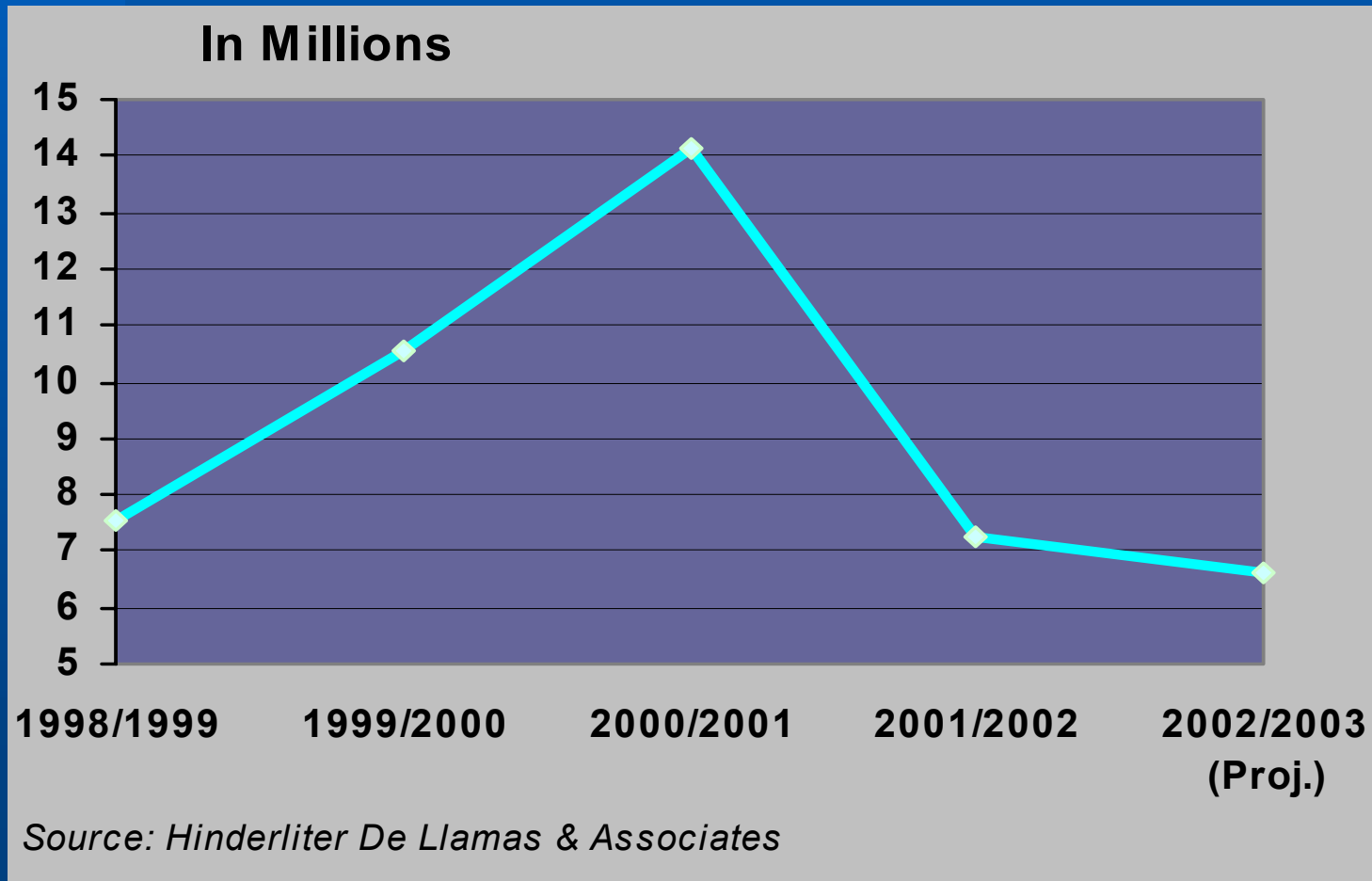
General Fund Major Revenues: Sales Tax

- ◆ Largest source of General Fund revenue (28%)
- ◆ Composed of retail and business-to-business sales; latter has declined significantly
- ◆ Revised estimate for FY 2001/2002 down 11%, or \$3 million due to downturn

General Fund Major Revenues: Sales Tax

- ◆ **Three fundamental questions to be answered in forecasting future Sales Tax revenues:**
 - Actual underlying Sales Tax base
 - When will we return to base
 - What will be rate of recovery

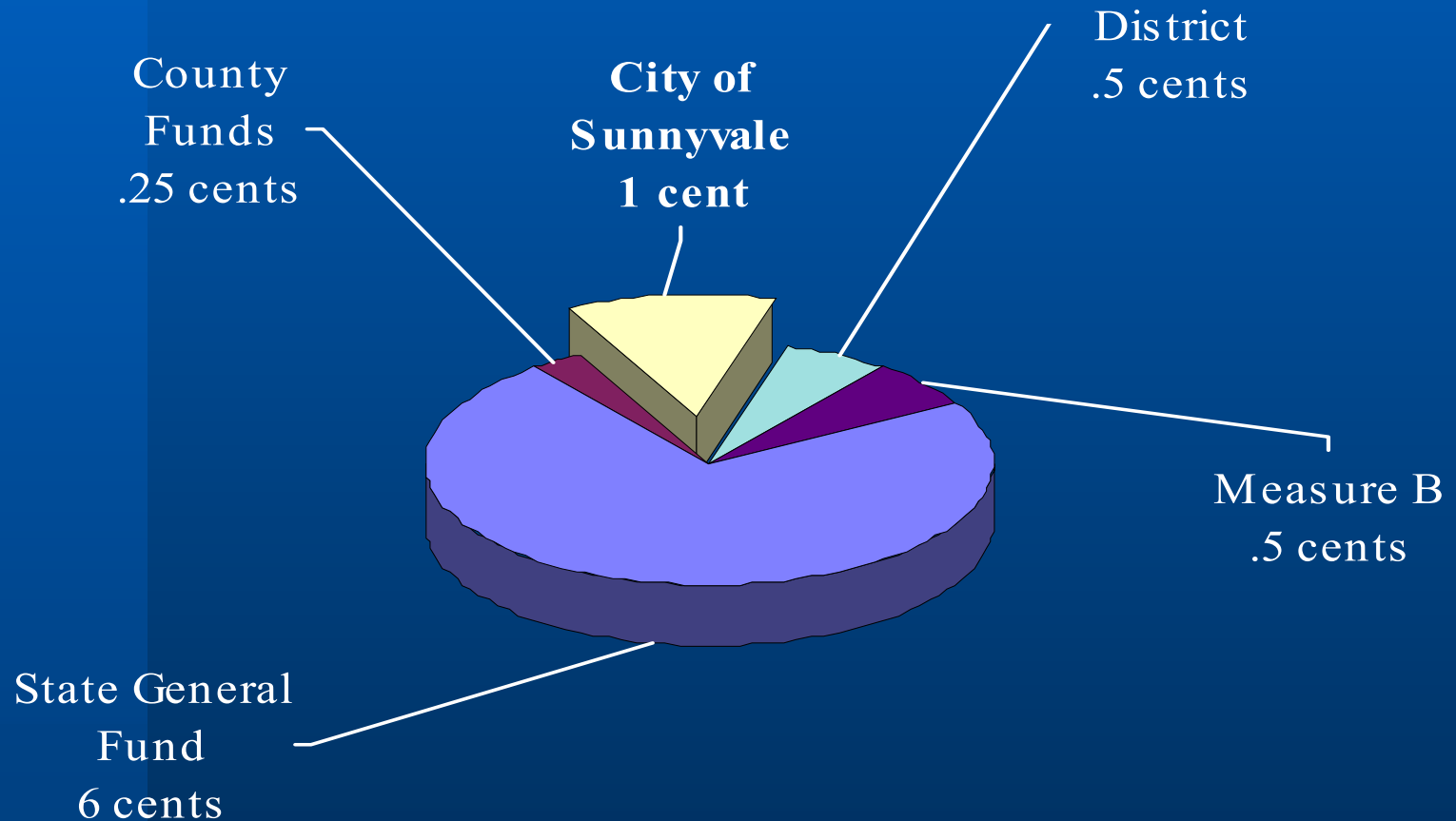
Sunnyvale Sales Tax for Business and Industry



General Fund Major Revenues: Sales Tax

- ◆ Questions of when recovery occurs and rate of return
- ◆ Recovery will be slow and measured
- ◆ Projections based on adjusted averages

8.25-Cent Sales Tax Distribution Santa Clara County

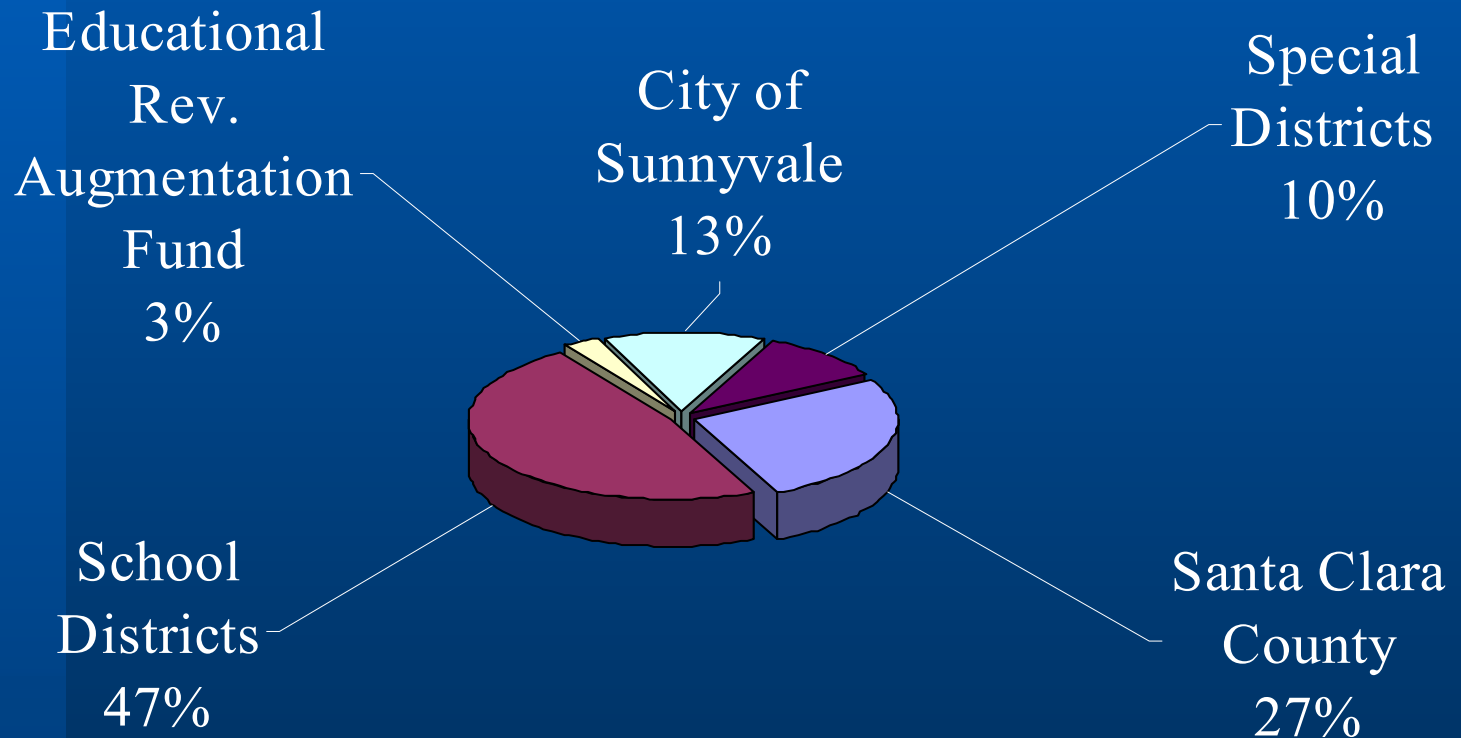


Source: State Board of Equalization

General Fund Major Revenues: Property Tax

- ◆ Represents 26.98% of General Fund revenues
- ◆ Current year 2% higher
- ◆ FY 2003/2004 forecast flat to reflect economic slowdown

Property Tax Distribution



General Fund Major Revenues: UUT and Franchise Fees

- ◆ Utility Users Tax and Franchise Fees equal 13% of General Fund revenues
- ◆ UUT up nearly 3% in FY 2002/2003
- ◆ Effect of potentially reduced utility rates
- ◆ Franchise Fees down 2.75% FY 2002/2003
- ◆ CDWR case fiscal impact to be determined

General Fund Major Revenues: State Shared Revenue

- ◆ **Primarily Motor Vehicle License Fees**
- ◆ **9.2% of General Fund revenues**
- ◆ **Growth in prior years robust due to booming economy**
- ◆ **Current revenue stable**
- ◆ **Project no growth for FY 2003/2004**

General Fund Major Revenues: Construction-Related

- ◆ 5% of General Fund revenue
- ◆ Construction Tax, Building Permits, Plan Check Fees
- ◆ Extraordinary gains in FY 1999/2000 and FY 2000/2001
- ◆ Project for FY 2002/2003 on track
- ◆ Forecast uses 8-year average

General Fund Major Revenues: Transient Occupancy Tax

- ◆ **6.15% of General Fund revenues**
- ◆ **Peak in FY 2000/2001**
- ◆ **Revenue reflects economic cycles**
- ◆ **Revenues down 51% since FY 2000/2001**
- ◆ **Project return to normal base FY 2002/2003 - FY 2006/2007**

General Fund Reserves

General Fund Reserves

- ◆ **20% Contingency Reserve**
 - **Changes in conjunction with General Fund Operations**
- ◆ **5% Service Level Contingency Reserve**
 - **One-time in nature**

General Fund Reserves

- ◆ **Non-Recurring Events Reserve**
 - One-time funds resulting from economic peaks
 - Use for high-priority capital and special projects
 - Senior Center Construction
 - Fremont Pool Construction

General Fund Reserves

- ◆ **Land Acquisition Reserve**
 - **Balance of \$3 million**

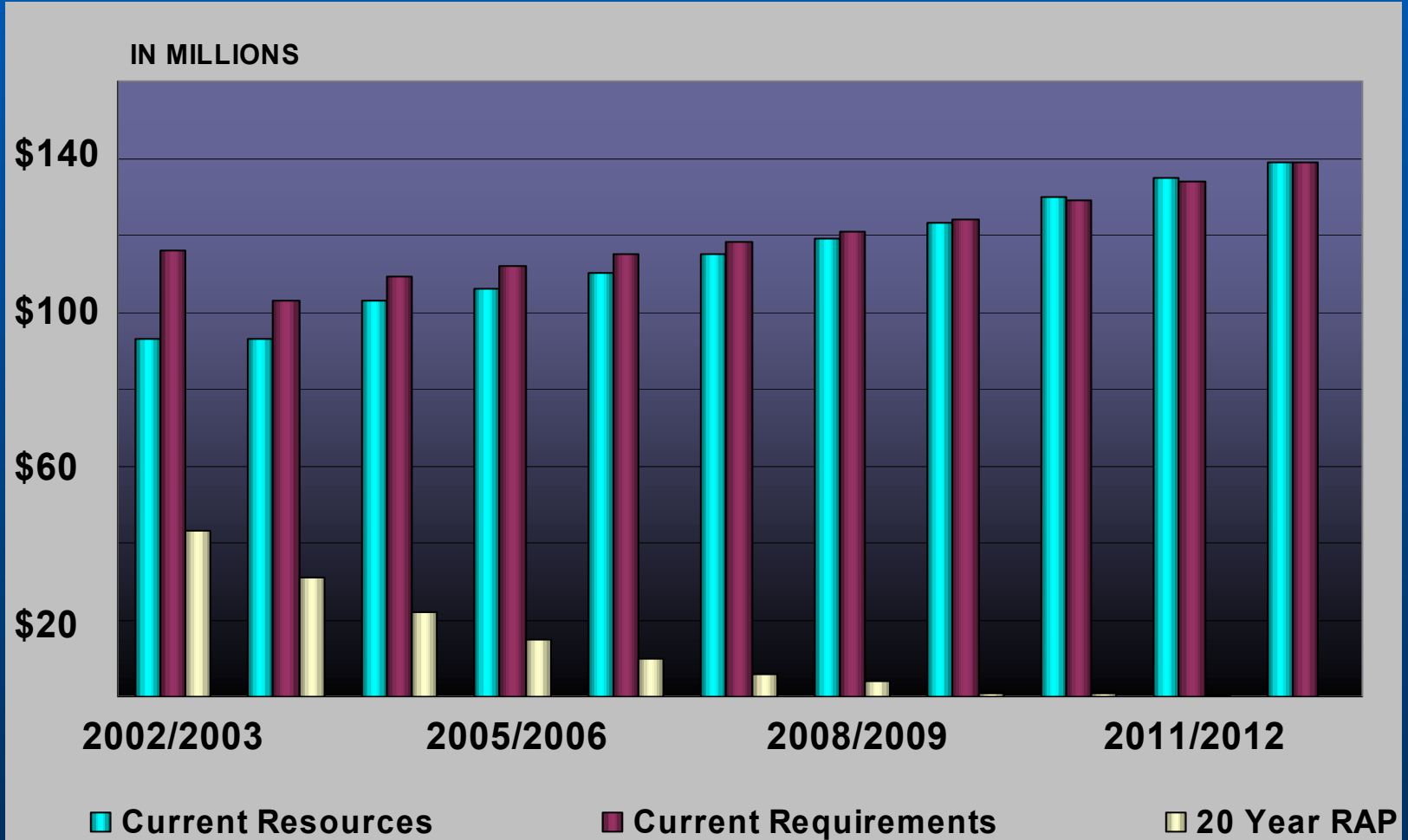
General Fund Reserves

- ◆ 20 Year RAP reserve levels economic cycles and plans for projects
- ◆ FY 2001/2002: 20 Year Rap \$61.1 million
- ◆ FY 2002/2003: 20 Year Rap \$43.4 million

General Fund

Financial Picture

FY 2002/2003 to FY 2012/2013



General Fund Set-Asides

- ◆ **Fiscal Uncertainties line item is expenditure in General Fund**
- ◆ **Reflects latitude in budget**
- ◆ **Used as a measure to determine structural deficit in FY 2003/2004**
- ◆ **Funds election costs in FY 2003/2004 and FY 2005/2006**

General Fund Set-Asides

◆ Paramedic Services

- Provide enhancement to EMS
- \$385,512 appropriated to Public Safety
- \$155,938 returned to General Fund

◆ Public Facilities Space Issues

- Reduced to \$250,000

General Fund Fiscal Position

- ◆ **Position of 20 Year RAP has worsened considerably**
 - Revenue position weakened
 - Expenditure pressures expanding
- ◆ **Balanced over 20 years**

Utilities Funds

Utility Funds

- ◆ **Increased Revenue Requirements**
 - Water Fund 10.0%
 - Wastewater Fund 7.0%
 - Solid Waste Fund 4.0%
- ◆ **Sunnyvale's rates remain 28% below average**

Water Supply and Distribution Fund

- ◆ **Cost of purchased water increases**
 - **San Francisco Water Department:**
22.2% 1st year, 2-25% in future
 - **Santa Clara Valley Water District:**
9.5% 1st year, 4.7-8.1% in future
- ◆ **The FY 2003/2004 recommended increase is 10.0%, 5.5% higher than planned.**

Water Supply and Distribution Fund

- ◆ Hetch-Hetchy Infrastructure
- ◆ SFPUC estimates \$2 billion needed to fix system for users outside of San Francisco
- ◆ Improvements needed to ensure a safe and reliable water supply
- ◆ Sunnyvale water rates will increase as result

Water Supply and Distribution Fund

- ◆ **Budget reduction effects**
 - \$340,849 annually or approximately 10% of the operating budget

Wastewater Management Fund

- ◆ Increased personnel costs
- ◆ Significant necessary capital improvements
- ◆ Interfund Fund transfer of \$800,000 to the Infrastructure Renovation, and Replacement Fund

Wastewater Management Fund

- ◆ **Budget reduction effects**
 - \$544,258 annual operating reduction
 - \$67,500 annual new revenues
 - 5.52% reduction to Fund operating budget
- ◆ **The FY 2003/2004 recommended increase is 7.0%, 2.5% higher than last year's projection of 4.5%**

Solid Waste Management Fund

- ◆ The fund is experiencing a 7% decrease in tonnage.
- ◆ The FY 2003/2004 recommended increase is 4.0%, .5% lower than planned.

Community Recreation Fund

Community Recreation Fund

- ◆ **Enhanced management of Golf Services**
- ◆ **Projected decline in number of golf rounds played in Sunnyvale**
- ◆ **Increased subsidy required from the General Fund**
- ◆ **Budget reduction effects**
 - **\$241,013 annual operating reduction**

Redevelopment Agency Fund

Redevelopment Agency Fund

- ◆ **Impact on increment limit from Mozart Development**
- ◆ **Shifts in redevelopment resources recommended by the State**
 - **\$250 million State-wide over 15 years**
 - **\$350-375,000 impact for future fiscal years**

Patent Library Fund

Patent Library Fund

Barriers to self sufficiency:

- ◆ Federal government sets fees
- ◆ \$30K Subscription Fee
- ◆ Internet/other factors curtail revenues

Capital Projects Funds

Capital Projects Fund

- ◆ **\$6.5 million reduction to various projects in FY 2002/2003**
- ◆ **\$2.2 million overall reduction for future years**

Infrastructure Renovation and Replacement Fund

Infrastructure Renovation and Replacement Fund

- ◆ **Budget reduction effects**
 - \$173,571 reduction for FY 2002/2003
 - \$1,407,626 net decrease over the Ten-Year planning period

Internal Service Funds

General Services Fund

- ◆ **Aggregate Rental Rate Increase:
3.68% for FY 2003/2004**
- ◆ **Average increase of 3.07% for the
remainder of the plan**
- ◆ **Rental Rate Reductions**
 - **\$500,000 savings in equipment/in-lieu charges**
 - **\$1.4 million in operating expense savings**

Employee Benefits Fund

- ◆ **Significant increases in employee benefit costs**
 - **\$5.4 million increase over current budget**
 - **Increases in retirements costs**
 - **Increases in medical costs**
 - **Increases in worker's compensation**

Employee Benefits Fund

◆ Increased retirement costs

CalPERS Plan	Employee Rate	Employer Rate
Safety (3%@50)	11.25%	16.875%
Miscellaneous (2%@55)	7.00%	0.577%

Employee Benefits Fund

- ◆ **Increased Retirement Costs**
 - **Rates for FY 2004/2005 higher**
 - **6.6% Miscellaneous**
 - **28.6% Safety**
 - **Effect is 62% increased payment or \$7 million**

Employee Benefits Fund

- ◆ **Increased medical insurance costs**
 - **FY 2002/2003 13%**
 - **FY 2003/2004 15%**
 - **12% for FY 2005/2006 through FY 2006/2007**
 - **8% for FY 2007/2008 through FY 2011/2012**

Employee Benefits Fund

- ◆ Increasing workers' compensation claims
- ◆ Interdepartmental task force to study workers' compensation claims trend

Closing Message

- ◆ Each fund balanced for twenty years in spite of budget crisis
- ◆ Planning and financial management systems provide foundation for fiscal solutions
- ◆ Budget situation is still fluid

Thank You

Questions/Comments
